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SECURITY PRODUCTS INC.

12
13 **CENTRAL DISTRICT OF CALIFORNIA**
14 **UNITED STATES DISTRICT COURT**
15 **WESTERN DIVISION**

16 MOBILE TECH., INC. d/b/a
17 MOBILE TECHNOLOGIES INC.
18 and MTI,

19 Plaintiff,

20 vs.

21
22 INVUE SECURITY PRODUCTS
23 INC.,

24 Defendant.

CASE NO. 2:17-cv-07491-SJO-AFM

**ANSWER AND COUNTERCLAIM
TO COMPLAINT FOR
INJUNCTION AND DAMAGES
FOR:**

(1) PATENT INFRINGEMENT
(2) FEDERAL UNFAIR
COMPETITION (LANHAM ACT)
(3) VIOLATION OF CALIFORNIA
BUSINESS AND PROFESSION
CODE §§ 17200 *ET SEQ.* AND
17500

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26 **JURY TRIAL DEMANDED**
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1 **INVUE SECURITY PRODUCTS, INC.'S ANSWER TO COMPLAINT**

2 Defendant InVue Security Products, Inc., by and through its attorneys,
3
4 submits the following Answer to the Complaint filed by Mobile Tech., Inc. d/b/a
5 Mobile Technologies Inc. and MTI (Plaintiff).

6 As information for the Court, InVue notes that Plaintiff MTI is presently a
7
8 defendant in multiple actions pending in the United States District Court for the
9 District of Oregon, each of which asserts MTI's infringement of one or more InVue
10 patents.

11 InVue denies each and every allegation of the Complaint unless expressly
12
13 admitted and provides the following responses to the numbered paragraphs of the
14 Complaint.

15 **NATURE OF THE ACTION**

- 16
- 17 1. InVue denies paragraph 1 of the Complaint.
 - 18 2. InVue denies paragraph 2 of the Complaint.
 - 19 3. InVue denies paragraph 3 of the Complaint.
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23 **PARTIES**

- 24
- 25 4. Based upon information and belief, InVue admits paragraph 4 of the
26 Complaint.
- 27
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1 5. Answering paragraph 5 of the Complaint, InVue admits only that it is
2 an Ohio Corporation, headquartered in North Carolina, that InVue is discontinuing
3 its lease of a warehouse located at 8840 Flower Rd # 110, Rancho Cucamonga,
4 California, that InVue has temporarily stored products in such warehouse that have
5 been manufactured at locations outside of the United States and brought in through
6 the ports including the Port of Los Angeles, and that InVue has been registered to do
7 business in the State of California. InVue otherwise denies the remaining
8 allegations of Paragraph 5 of the Complaint.
9

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11 6. Answering Paragraph 6, the Court has subject matter jurisdiction over
12 actions arising under the United States Patent Act, 35 U.S.C. § 100 *et seq.* and
13 certain actions arising under Title 15 of the United States Code. Under 28 U.S.C. §
14 1367, the Court may exercise supplemental jurisdiction over certain claims arising
15 under state law. However, InVue denies the legal sufficiency of Plaintiff's claims,
16 denies that InVue has infringed Plaintiff's patents, and denies that Plaintiff has any
17 cause of action against InVue arising under California state law.
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21 7. Answering Paragraph 7 of the Complaint, InVue admits that this Court
22 has personal jurisdiction over InVue for the present action. InVue otherwise denies
23 the allegations of Paragraph 7 of the Complaint.
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25 8. InVue denies paragraph 8 of the Complaint.
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1 9. Answering paragraph 9 of the Complaint, InVue admits that this Court
2 has personal jurisdiction over InVue for the present action. InVue otherwise denies
3 the allegations of Paragraph 9 of the Complaint.
4

5 10. Answering paragraph 10 of the Complaint, InVue admits that Plaintiff
6 has produced mobile device display and merchandising security products that are
7 used by customers to provide retail security for consumer electronics on display in
8 retail stores. InVue otherwise denies the allegations of Paragraph 10 of the
9 Complaint.
10

11 11. Answering paragraph 11 of the Complaint, InVue admits that Exhibit A
12 to the Complaint purports to be a true and accurate copy of U.S. Pat. No. 9,786,140
13 (the '140 patent). InVue otherwise denies the allegations of Paragraph 11 of the
14 Complaint.
15
16

17 12. InVue denies paragraph 12 of the Complaint.
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19 13. Paragraph 13 of the Complaint purports to set forth the text of claim 26
20 of the '140 Patent. InVue otherwise denies paragraph 13 of the Complaint.
21

22 14. Answering paragraph 14 of the Complaint, InVue is without knowledge
23 or information sufficient to form a belief as to whether Plaintiff is the owner of the
24 '140 patent and, therefore, denies the same. InVue also denies the remaining
25 allegations of Paragraph 14 of the Complaint.
26

27 15. InVue denies paragraph 15 of the Complaint.
28

1 16. Answering paragraph 16 of the Complaint, InVue denies that it
2 manufactures, offers to sell, sells, uses, or imports and product or method covered
3 by the '140 patent. InVue also denies that any of its activities alleged in the
4 Complaint require the permission or authority of Plaintiff. InVue denies any
5 remaining allegations of Paragraph 16.
6

7
8 17. Answering paragraph 17 of the Complaint, InVue admits only that one
9 of its products may be referenced as the POD Series 1060 and that Paragraph 17
10 purports to contain an image that includes such product. InVue otherwise denies the
11 allegations of Paragraph 17 of the Complaint.
12

13 18. InVue denies paragraph 18 of the Complaint.

14 19. Answering paragraph 19 of the Complaint, InVue admits only that one
15 of its products may be referenced as the POD Series 1560 and that Paragraph 19
16 purports to contain an image that includes such product. InVue otherwise denies the
17 allegations of Paragraph 19 of the Complaint.
18

19 20. InVue denies paragraph 20 of the Complaint.

20 21. Answering paragraph 21 of the Complaint, InVue admits only that one
21 of its products may be referenced as the POD Series 1050 and that Paragraph 21
22 purports to contain an image that includes such product. InVue otherwise denies the
23 allegations of Paragraph 21 of the Complaint.
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25 22. InVue denies paragraph 22 of the Complaint.
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23. Answering paragraph 23 of the Complaint, InVue admits only that Plaintiff and InVue are competitors, and InVue otherwise denies paragraph 23 of the Complaint.

24. InVue denies paragraph 24 of the Complaint.

25. Answering Paragraph 25 of the Complaint, InVue admits only that a video regarding the testing of both InVue and competitor products was present on InVue's website, that such video included at least one of Plaintiff's products, and that testing of Plaintiff's product demonstrated inferiority in comparison to an InVue product. InVue otherwise denies the allegations of Paragraph 25 of the Complaint.

26. Answering Paragraph 26 of the Complaint, InVue admits only that the Complaint purports to set forth an image of a Freedom Micro. InVue otherwise denies the allegations of Paragraph 26 of the Complaint.

27. Answering Paragraph 27 of the Complaint, InVue admits only that a video regarding the testing of both InVue and various competitor products was present on InVue's website, that such video included at least one of Plaintiff's products, and that testing of Plaintiff's product demonstrated inferiority in comparison to an InVue product. InVue otherwise denies the allegations of Paragraph 27 of the Complaint.

28. Answering Paragraph 28 of the Complaint, InVue admits only that a video regarding the testing of both InVue and various competitor products was present on InVue's website, that such video included at least one of Plaintiff's

1 products, that testing of Plaintiff's product revealed its inferiority in comparison to
2 an InVue product, and that Plaintiff has deliberately cropped and enlarged images
3 from the video that are included in paragraph 28. InVue otherwise denies the
4 allegations of Paragraph 28 of the Complaint.
5

6 29. Answering Paragraph 29 of the Complaint, InVue admits only that one
7 viewing the video would recognize that different products are presented during
8 testing shown in the video and that Plaintiff has deliberately cropped, enlarged, and
9 annotated images from the video that are included in paragraph 29. InVue otherwise
10 denies the allegations of Paragraph 29 of the Complaint.
11

12 30. Answering Paragraph 30 of the Complaint, InVue admits only that one
13 viewing the video would recognize that different products are presented during
14 testing shown in the video and that Plaintiff has deliberately cropped, enlarged, and
15 annotated images from the video that are included in paragraph 30. InVue otherwise
16 denies the allegations of Paragraph 30 of the Complaint.
17

18 31. Answering Paragraph 31 of the Complaint, InVue admits only that one
19 viewing the video would recognize that different products are presented during
20 testing shown in the video and that Plaintiff has deliberately cropped, enlarged, and
21 annotated images from the video that are included in paragraph 31. InVue otherwise
22 denies the allegations of Paragraph 31 of the Complaint.
23

24 32. Answering Paragraph 32 of the Complaint, InVue admits only that one
25 viewing the video would recognize that different products are presented during
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1 testing shown in the video and that Plaintiff has deliberately cropped and enlarged
2 images from the video that are included in paragraph 32. InVue otherwise denies
3 the allegations of Paragraph 32 of the Complaint.
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5 33. Answering Paragraph 33 of the Complaint, InVue admits only that a
6 video regarding the testing of both InVue and various competitor products was
7 present on InVue's website, that such video included at least one of Plaintiff's
8 products, and that testing of Plaintiff's product revealed its inferiority in comparison
9 to an InVue product. InVue otherwise denies the allegations of Paragraph 33 of the
10 Complaint.
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12 34. InVue denies paragraph 34 of the Complaint.
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14 35. InVue denies paragraph 35 of the Complaint.
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16 36. InVue denies paragraph 36 of the Complaint.
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18 37. InVue denies paragraph 37 of the Complaint.
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20 38. InVue denies paragraph 38 of the Complaint.
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22 39. Answering paragraph 39 of the Complaint, InVue refers to and
23 incorporates herein its responses set forth above in Paragraphs 1 through 38.
24

25 40. InVue denies paragraph 40 of the Complaint.
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27 41. InVue denies paragraph 41 of the Complaint.
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42. InVue denies paragraph 42 of the Complaint.

43. InVue denies paragraph 43 of the Complaint.

44. InVue denies paragraph 44 of the Complaint.

1 45. Answering paragraph 45 of the Complaint, InVue refers to and
2 incorporates herein its responses set forth above in Paragraphs 1 through 44.

3
4 46. Answering paragraph 46 of the Complaint, InVue admits only that it
5 was served with the Complaint on October 23, 2017.

6 47. InVue denies paragraph 47 of the Complaint.

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8 48. InVue denies paragraph 48 of the Complaint.

9 49. InVue denies paragraph 49 of the Complaint.

10 50. InVue denies paragraph 50 of the Complaint.

11 51. InVue denies paragraph 51 of the Complaint.

12 52. InVue denies paragraph 52 of the Complaint.

13 53. InVue denies paragraph 53 of the Complaint.

14 54. InVue denies paragraph 54 of the Complaint.

15 55. InVue denies paragraph 55 of the Complaint.

16 56. InVue denies paragraph 56 of the Complaint.

17 57. InVue denies paragraph 57 of the Complaint.

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19 58. Answering paragraph 58 of the Complaint, InVue refers to and
20 incorporates herein its responses set forth above in Paragraphs 1 through 57.

21 59. Answering paragraph 59 of the Complaint, InVue admits only that it
22 was served with Complaint on October 23, 2017.

23
24 60. InVue denies paragraph 60 of the Complaint.

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26 61. InVue denies paragraph 61 of the Complaint.

62. InVue denies paragraph 62 of the Complaint.

63. InVue denies paragraph 63 of the Complaint.

64. InVue denies paragraph 64 of the Complaint.

65. InVue denies paragraph 65 of the Complaint.

66. InVue denies paragraph 66 of the Complaint.

67. InVue denies paragraph 67 of the Complaint.

68. InVue denies paragraph 68 of the Complaint.

69. InVue denies paragraph 69 of the Complaint.

70. Answering paragraph 70 of the Complaint, InVue refers to and incorporates herein its responses set forth above in Paragraphs 1 through 69.

71. InVue denies paragraph 71 of the Complaint.

72. InVue denies paragraph 72 of the Complaint.

73. InVue lacks knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 73 of the Complaint and, therefore, denies the same.

74. InVue lacks knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 74 of the Complaint and, therefore, denies the same.

75. InVue denies paragraph 75 of the Complaint.

76. InVue denies paragraph 76 of the Complaint.

77. InVue denies paragraph 77 of the Complaint.

1 78. InVue denies paragraph 78 of the Complaint.

2 79. Answering paragraph 79 of the Complaint, InVue refers to and
3
4 incorporates herein its responses set forth above in Paragraphs 1 through 78.

5 80. InVue denies paragraph 80 of the Complaint.

6 81. InVue denies paragraph 81 of the Complaint.

7
8 82. InVue denies paragraph 82 of the Complaint.

9 **RESPONSE TO PLAINTIFF'S PRAYER FOR RELIEF**

10 InVue denies that Plaintiff is entitled to the relief it requested or any other
11 relief. To the extent that Plaintiff avers or makes allegations in its prayer for relief
12 or elsewhere that are not specifically addressed herein, any such averment or
13 allegation is denied.
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ADDITIONAL DEFENSES

**FIRST DEFENSE
(Non-infringement)**

1. Pursuant to 35 U.S.C. § 282, InVue has not infringed, and is not infringing, either literally or under the doctrine of equivalents, directly or indirectly, any valid claim of the ‘140 patent. At a minimum, InVue does not infringe for at least the following reasons:

(a) One or more of InVue’s accused products do not meet the limitation of having “a fiber optic cable.”

(b) One or more of InVue’s accused products do not meet the limitation of having “a connector.”

(c) One or more of InVue’s accused products do not meet the limitation of having voltage adaption.

(d) The ‘140 patent is invalid, and an invalid patent cannot be infringed.

**SECOND DEFENSE
(Invalidity)**

2. The claims of the ‘140 patent are invalid pursuant to 35 U.S.C. 102, 103, 112 (first paragraph) and/or 112 (second paragraph). In particular, at a minimum, the ‘140 patent is invalid for the following reasons:

(a) The limitation “optical signal” lacks proper written description support and is not enabled by the specification of the ‘140 patent.

(b) Each and every claim of the '140 patent is invalid under 35 U.S.C. 102 and/or 103 in view of at least the following: the Freedom LP3 product and publications of such product, WO 2011/045058 to Logokett (also published as DE 10 2009 049 738); and U.S. Patent No. 7,327,276 to Deconinck.

THIRD DEFENSE
(No Damages)

3. To the extent Plaintiff and its alleged predecessors in interest to the '140 patent failed to properly mark any of their relevant products as required by 35 U.S.C. § 287, or otherwise give proper notice that InVue's actions allegedly infringed the patents-in-suit, InVue is not liable to Plaintiff for the acts alleged to have been performed before it received actual notice that it was allegedly infringing the patents-in-suit.

FOURTH DEFENSE
(Inequitable Conduct)

4. Plaintiff's allegations of infringement are barred because the '140 patent is unenforceable pursuant to 37 C.F.R. § 1.56, the doctrine of inequitable conduct, the doctrine of infectious unenforceability and/or the doctrine of reverse infectious enforceability, and/or MTI's employee inventors' and MTI's patent attorneys' deliberate decision to withhold and/or mispresent material information from the United States Patent and Trademark Office (PTO) during the prosecution of the applications that resulted in the issuance of the '140 patent, as set forth in

1 Paragraphs 1 through 142 of InVue’s counterclaims, which InVue hereby
2 incorporates by reference and alleges in this defense.

3
4 **FIFTH DEFENSE**
5 **(Unclean Hands)**

6 5. Having breached its duty of candor while prosecuting the applications
7 on which the ‘140 patent is based as set forth in Paragraphs 1 through 142 of
8 InVue’s counterclaims, Plaintiff is not entitled to recover damages or obtain the
9 equitable relief it seeks.

10
11 **SIXTH DEFENSE**
12 **(Failure to State a Claim)**

13 6. Plaintiff’s Complaint, and each of the purported claims for relief
14 therein, fails to state a claim upon which relief can be granted.

15
16 **SEVENTH DEFENSE**
17 **(Laches)**

18 7. The doctrine of laches bars Plaintiff’s claims, in that Plaintiff has
19 unreasonably delayed in the enforcement of its rights if any, despite its full
20 awareness of Defendant’s alleged actions.

21
22 **EIGHTH DEFENSE**
23 **(Estoppel)**

24 8. One or more causes of action in the Complaint are barred by the
25 doctrine of estoppel.

NINTH DEFENSE
(Waiver)

9. One or more causes of action in the Complaint are barred by the doctrine of waiver.

TENTH DEFENSE
(Adequate Remedy at Law)

10. The injunctive relief sought in the Complaint is barred because the injury or damage allegedly suffered by Plaintiff, if any, would be adequately compensated in an action at law for damages and therefore Plaintiff is not entitled to seek equitable relief.

ELEVENTH DEFENSE
(No Irreparable Harm)

11. Plaintiff is not entitled to injunctive relief as it has not and will not suffer irreparable harm based on acts attributable to InVue.

TWELFTH DEFENSE
(Preemption of California Unfair Competition Law)

12. The state law claim for Unfair Competition is preempted by federal legislation pursuant to the “*Sears-Compco* decisions” Defense to a State-Based Claim. *See Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 11 L. Ed. 2d 661, 84 S. Ct. 784, 140 U.S.P.Q. 524 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 11 L. Ed. 2d 669, 84 S. Ct. 779, 140 U.S.P.Q. 528 (1964).

THIRTEENTH DEFENSE
(No Unlawful, Unfair, or Fraudulent Conduct)

13. The state law claim for Unfair Competition is barred in whole or in part because the alleged business practices are not unlawful, unfair, or fraudulent, within the meaning of California Business & Professions Code § 17200 or otherwise.

FOURTEENTH DEFENSE
(No Damages Under California Business & Professions Code § 17200, et. seq.)

14. The state law claim for Unfair Competition is barred in whole or in part because any monetary damages under California Business and Professions Code §17200, *et seq.*, are barred in their entirety by those statutes and other applicable legal authority.

FIFTEENTH DEFENSE
(Statute of Limitations)

15. One or more causes of action in the Complaint are barred by the applicable statute of limitations.

RESERVATION OF ADDITIONAL AFFIRMATIVE DEFENSES

InVue reserves the right to assert additional affirmative defenses in the event that discovery or further analysis indicates that additional affirmative defenses are appropriate.

COUNTERCLAIM

Pursuant to Fed. R. Civ. P. 13, Defendant/Counterclaimant InVue Security Products, Inc. ("InVue" or "Defendant") hereby brings counterclaims against Plaintiff/Counterdefendant Mobile Tech, Inc. ("MTI" or "Plaintiff") for judgment as follows:

PARTIES

1. InVue is a corporation formed under the laws of Ohio with a principal place of business at 9201 Baybrook Lane, Charlotte, NC 28277.
2. By its Complaint, Plaintiff alleges that it is an Indiana corporation having a principal business address at 1050 NE 67th Ave., Hillsboro, OR 97124.

JURISDICTION AND VENUE

3. This is an action for declaratory judgment arising under the Patent Act, 35 U.S.C. § 1, *et seq.*, and the Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2202. An actual and justiciable controversy exists under the Declaratory Judgment Act between the parties and is of sufficient immediacy and reality to warrant issuance of a declaratory judgment. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1338, 2201, and 2202.

4. This Court has personal jurisdiction over MTI because MTI has availed itself of this Court through the filing of this action. Plaintiff purports to set forth claims for infringement of United States Patent No. 9,786,140 (the '140 patent) entitled "Display for Hand-held Electronics," as well as related unfair competition

1 and violation of California Business and Profession Codes.

2 5. Venue in this counterclaim is premised on 28 U.S.C. §§ 1391 in that
3
4 Plaintiff filed its own action in this forum.

5 **BACKGROUND**
6 **The Vanguard Litigation**

7 6. On or about April 19, 2007, Vanguard Products Group, Inc. (Vanguard)
8 filed an action for patent infringement against Plaintiff (known as “Merchandising
9 Technologies, Inc.” at that time) in the United States District Court for the Northern
10 District of Illinois. *See* Case No. 1:07-cv-02178 (N.D. Ill.), ECF No. 1 (hereinafter
11 the “First Vanguard Litigation”).
12

13 7. On or about June 21, 2007, Bruce A. Kaser (Kaser) was admitted as an
14 attorney of record for Plaintiff in the First Vanguard Litigation. By Order of August
15 21, 2007, the United States District Court for the Northern District of Illinois
16 transferred the First Vanguard Litigation to the District of Oregon. *See* Case No.
17 1:07-cv-02178 (N.D. Ill.), ECF No. 52. Attorney Kaser of Vantage Law LLC
18 continued representing Plaintiff in the First Vanguard Litigation after it was
19 transferred to the United States District Court for the District of Oregon. As
20 attorney for Plaintiff, Kaser had knowledge of the matters involved in the First
21 Vanguard Litigation.
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26 8. On May 11, 2009 the parties in the First Vanguard Litigation filed a
27 Joint Motion for Entry of Consent Judgment in the District of Oregon, which was
28

1 signed by Kaser as attorney for Plaintiff. *See* Case 3:07-cv-01405-BR (D. Or.), ECF
2 No. 345.

3
4 9. On May 11, 2009, the District of Oregon entered a Final Judgment by
5 Consent and Permanent Injunction. *See* Exhibit A, Case 3:07-cv-01405-BR (D. Or.),
6 ECF No. 346 (Final Judgment by Consent). The Final Judgment by Consent
7 included the following at paragraph 7:
8

9 7. Vanguard and Telefonix acknowledge that MTI may be able to design
10 new and/or modify existing Freedom products so that they do not infringe and, therefore, are not
11 Enjoined Products. This injunction does not apply to:
12 a. MTI products with coiled cord and no reel; and
13 b. Freedom LP3, with a conductor-less mechanical retractor,
14 both as shown in MTI's 2009 Virtual Store Tour Video and available at [www.mti-](http://www.mti-interactive.com)
15 [interactive.com](http://www.mti-interactive.com) as of May 8, 2009.

16 10. Plaintiff, through attorney Kaser, requested and consented to the Final
17 Judgment by Consent including the judicial finding at paragraph 7 thereof.

18 11. As attorney for Plaintiff, Kaser signed the Final Judgment by Consent
19 and thereby had knowledge of the Final Judgment by Consent including Paragraph 7
20 and had knowledge of Plaintiff's consent to the final judgment that Plaintiff's
21 Freedom LP3 product was available as of May 8, 2009.
22

23 12. Through the Final Judgment by Consent, Plaintiff judicially
24 represented, adopted as true, and admitted that the Freedom LP3 was publicly
25 available as of May 8, 2009.
26

27 13. Freedom LP3 was a product of Plaintiff having a conductor-less
28

1 mechanical retractor that was shown in a 2009 Virtual Store Tour Video and
2 available at Plaintiff's website, www.mti-interactive.com, as of May 8, 2009.

3
4 14. The 2009 Virtual Store Video, which was available at Plaintiff's
5 website, www.mti-interactive.com as of May 8, 2009, disclosed various features of
6 the Freedom LP3 including, for example, that it was a cable management apparatus
7 for use in mounting an electronic device to a display, included a puck attached to a
8 product on display, and included powering of the product using contacts on the puck
9 and a base of the display so that when the puck is placed on the base, an electrical
10 connection is created between the contacts so that the product's batteries can be
11 charged via a cable between the puck and the product.
12

13
14 15. Upon information and belief, the Freedom LP3 was on sale as of May
15 8, 2009.
16

17 16. Additionally, as part of the settlement of the First Vanguard Litigation,
18 Michael J. Cook, Plaintiff's then CEO, signed a Confidential Settlement Agreement
19 on or about May 11, 2009. *See* Exhibit B, Case 3:10-cv-00392-BR (D. Or.), ECF
20 No. 1 at pp. 14-24. Therein, Cook, acting in his capacity as CEO of Plaintiff, agreed
21 that Freedom LP3 was "shown in MTI's 2009 Virtual Store Tour Video and
22 available at www.mti-interactive.com of May 8, 2009." *See* Exhibit B, p. 3, ¶ 3.
23

24
25 17. On April 9, 2010, Vanguard filed another action against Plaintiff for
26 civil contempt, breach of contract, declaratory judgment, injunction, and accounting.
27
28 *See* Exhibit B, Case No. 3:10-cv-00392-BR (D. Or.), ECF No. 1 (hereinafter the

1 “Second Vanguard Litigation”).

2 18. In its Complaint in the Second Vanguard Litigation, Vanguard asserted
3 that, *inter alia*, Plaintiff had breached the settlement agreement and violated the
4 Final Judgment by Consent that ended the First Vanguard Litigation. *See* Exhibit B.
5

6 19. During the Second Vanguard litigation, Plaintiff submitted the
7 Declaration of Thaine Allison. *See* Exhibit C, Case No. 3:10-cv-00392-BR (D. Or.),
8 ECF No. 34. Allison is identified as an inventor on the face of the ‘140 patent; U.S.
9 Patent No. 8,698,617; and U.S. Patent No. 8,698,618. In his Declaration of October
10 20, 2010, at paragraph 30, Allison declared the following under penalty of perjury:
11

12 30. As a result, before the Settlement Agreement was signed, MTI had developed at
13 least two noninfringing alternative systems, neither of which used a powered cord in a reel
14 retractor. The Confidential Settlement Agreement refers to these systems as: “Freedom
15 Universal 2.0, with coiled cord and no reel,” and “Freedom LP3, with a conductor-less
16 mechanical retractor,” MTI refers to its coiled cord system as a “Smart Tether.” It is reinforced,
17 has a built-in alarm system and powers the unit, but uses a coiled cord, like a very heavy duty
18 phone cord, instead of a reel retractor as described in Plaintiffs’ Patent. The Confidential
19 Settlement Agreement notes that both these products were shown in MTI’s 2009 Virtual Store
20 Tour Video, which obviously predated that Agreement. Confidential Settlement Agreement at
21 para. 3.
22

23 *See* Exhibit C

24 20. As of at least October 20, 2010, Allison adopted and represented as true
25 that the Freedom LP3 was available before May 11, 2009.
26

27 21. As of at least October 20, 2010, Allison adopted and represented as true
28 that MTI’s 2009 Virtual Store Video showing the Freedom LP3 was available

1 before May 11, 2009.

2 22. Upon information and belief, as of at least October 20, 2010, Thaine
3 Allison knew the Freedom LP3 had been for sale on or before May 11, 2009.
4

5
6 **The ‘944 Application and U.S. Patent No. 8,698,617**

7
8 23. On June 21, 2010, attorney Kaser, in his capacity as attorney for
9 Plaintiff, caused U.S. Patent Application No. 12/819,944 (‘944 application) to be
10 filed with the United States Patent Office (USPTO). The ‘944 application
11 eventually issued as U.S. Patent No. 8,698,617 (sometimes referred to herein as the
12 “ ‘617 patent”).
13

14 24. The Freedom LP3 was publicly available as of May 8, 2009 and had
15 one or more features described and claimed in the ‘944 application and the ‘617
16 patent.
17

18 25. Attorney Kaser was aware, and maintained in a U.S. District Court, that
19 the Freedom LP3 was publicly available as of May 8, 2009 and was aware the
20 Freedom LP3 had one or more features described and claimed in the ‘944
21 application that issued as the ‘617 patent.
22

23 26. Allison, a named inventor for the ‘617 patent, was aware and had
24 adopted as true that the Freedom LP3 was publicly available as of at least May 11,
25 2009 and was aware the Freedom LP3 had one or more features described and
26 claimed in the ‘944 application that issued as the ‘617 patent.
27
28

1 27. In filing the '944 application, attorney Kaser filed electronic documents
2 having the following filenames:

3 Specification MTILP3.pdf

4 ClaimsMTILP3.pdf

5 AbstractMTILP3.pdf

6 DrawingsMTILP3.pdf

7
8
9 *See Exhibit D.*

10 28. Although aware that the Freedom LP3 was material prior art to the '944
11 application, during prosecution of the '944 application, attorney Kaser never
12 disclosed to the USPTO the Freedom LP3, the Final Judgment by Consent, the
13 Declaration of Thaine Allison, the Confidential Settlement Agreement, MTI's 2009
14 Virtual Store Video, or that the Freedom LP3 was publicly available as of May 8,
15 2009.

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17
18 29. Although aware that the Freedom LP3 was material prior art to the '944
19 application, during prosecution of the '944 application, Allison never disclosed to
20 the USPTO the Freedom LP3, MTI's 2009 Virtual Store Video, his own Declaration
21 of October 20, 2010, the Confidential Settlement Agreement, or that the Freedom
22 LP3 was publicly available as of May 8, 2009.

23
24
25 30. On March 19, 2014, attorney Kaser filed an Information Disclosure
26 Statement with the USPTO that did not disclose the Freedom LP3, the Final
27 Judgment by Consent, the Confidential Settlement Agreement, the Declaration of
28

1 Thaine Allison, MTI's 2009 Virtual Store Video, or that the Freedom LP3 was
2 publicly available as of May 8, 2009. *See* Exhibit M.

3
4 31. As the patent attorney who filed and prosecuted the '944 application to
5 which the '617 patent and '140 patent claim priority, Kaser had a duty of candor and
6 good faith in dealing with the USPTO, which included a duty to disclose to the
7 USPTO all information known to Kaser to be material to patentability of the
8 application. This duty required Kaser to disclose to the USPTO the Freedom LP3,
9 the Final Judgment by Consent, the Confidential Settlement Agreement, the
10 Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, and that the
11 Freedom LP3 was publicly available as of May 8, 2009.
12
13

14 32. On information and belief, attorney Kaser, either alone or in
15 conjunction with others, deliberately decided not to disclose to the USPTO the
16 Freedom LP3, the Final Judgment by Consent, the Confidential Settlement
17 Agreement, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video,
18 and/or that the Freedom LP3 was publicly available as of May 8, 2009.
19
20

21 33. As an inventor identified with the '944 application to which the '140
22 patent claims priority, Allison had a duty of candor and good faith in dealing with
23 the USPTO, which included a duty to disclose to the USPTO all information known
24 to Allison to be material to patentability of the application. This duty required
25 Allison to disclose to the USPTO the Freedom LP3, MTI's 2009 Virtual Store
26 Video, the Confidential Settlement Agreement, his own Declaration of October 20,
27
28

1 2010 submitted in the Second Vanguard Litigation, and that the Freedom LP3 was
2 publicly available as of May 8, 2009.

3
4 34. On information and belief, Allison, either alone or in conjunction with
5 others, deliberately decided not to disclose to the USPTO the Freedom LP3, MTI's
6 2009 Virtual Store Video, the Confidential Settlement Agreement, his own
7 Declaration of October 20, 2010 submitted in the Second Vanguard Litigation
8 and/or that the Freedom LP3 was publicly available as of May 8, 2009.
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13 **The '107 Application and U.S. Patent No. 8,698,618**

14 35. On September 22, 2010, Kaser, in his capacity as attorney for Plaintiff,
15 caused U.S. Patent Application No. 12/888,107 ('107 application) to be filed with
16 the United States Patent Office (USPTO). The '107 application claims priority to
17 the '944 application. The '107 application eventually issued as U.S. Patent No.
18 8,698,618 (sometimes referred to herein as the " '618 patent").
19

20
21 36. The Freedom LP3 was publicly available as of May 8, 2009 and had
22 one or more features described and claimed in the '107 application and the '618
23 patent.
24

25 37. Attorney Kaser was aware, and maintained in a U.S. District Court, that
26 the Freedom LP3 was publicly available as of May 8, 2009 and was aware the
27 Freedom LP3 had one or more features described and claimed in the '107
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1 application that issued as the '618 patent.

2 38. Allison, a named inventor for the '618 patent, was aware and had
3
4 adopted as true that the Freedom LP3 was publicly available as of May 11, 2009 and
5 was aware the Freedom LP3 had one or more features described and claimed in the
6 '107 application that issued as the '618 patent.

7
8 39. In filing the '107 application, attorney Kaser filed electronic documents
9 having the following filenames:

10 Specification MTIdivisionalLP3.pdf

11 ClaimsMTIdivisionalLP3.pdf

12 AbstractMTIdivisionalLP3.pdf

13 AppData MTIdivisionalLP3.pdf

14 DrawingsMTIdivisionalLP3.pdf

15
16
17 *See* Exhibit E.

18 40. During prosecution of the '107 application, Kaser, in his capacity as
19 attorney for Plaintiff, filed with the USPTO on November 19, 2010, a Petition to
20 Make Special Under Accelerated Examination Program. Therein, attorney Kaser
21 submitted a Detailed Explanation of Patentability purporting to identify prior art and
22 assert reasons the claims presented were patentable. Although aware that the
23 Freedom LP3 was material prior art, attorney Kaser did not disclose or discuss the
24 Freedom LP3.

25 41. On November 19, 2010, attorney Kaser also submitted an Information
26
27
28

1 Disclosure Statement (IDS) to the USPTO, wherein Kaser identified certain patents
2 and non-patent literature documents to the USPTO during prosecution of the '107
3 application.
4

5 42. The filename of the November 19, 2010 IDS that attorney Kaser
6 uploaded to the USPTO was as follows: IDSFormMTIcontinuationLP3.pdf. *See*
7 Exhibit F.
8

9 43. The Freedom LP3 was not identified to the USPTO in the November
10 19, 2010 IDS.
11

12 44. On December 17, 2012, the Examiner at the USPTO issued an Office
13 Action. Therein, the Examiner indicated that claim 7 of the '107 application (which
14 eventually issued as claim 7 of the '618 patent) was allowable as follows:
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Regarding claim 7, patentability resides in “at least one wire-to-wire connection between the source module and the mounting member when the mounting member is in the resting

Application/Control Number: 12/888,107
Art Unit: 2681

Page 7

position, for electrically communicating the at least one electrical signal from the source module to the mounting member, and wherein the wire-to-wire connection between the source module and the mounting member is broken when the mounting member is lifted from the resting position, and further, the wire-to-wire connection is not made by the mechanical cable”, in combination with the other limitations of the claim.

45. The Examiner also rejected claim 7 based on obviousness-type double patenting over claim 26 the ‘944 application.

46. The Freedom LP3 was publicly available as of May 8, 2009 and disclosed one or more of the features in which the Examiner concluded patentability resided with regard to claim 7.

47. The December 17, 2012 Office Action was mailed to Kaser at Vantage Law PLLC.

48. Attorney Kaser was aware of the December 17, 2012 Office Action, including its contents. In fact, Kaser submitted a Response to the December 17, 2012 Office Action on June 17, 2013, but did not identify the Freedom LP3 in the

1 Response.

2 49. On August 26, 2013, the USPTO issued a Final Office Action. Therein,
3
4 the Examiner again rejected claim 7 based on obviousness-type double patenting
5 over claim 26 the '944 application.

6 50. On March 19, 2014, attorney Kaser also submitted another Information
7
8 Disclosure Statement (IDS) to the USPTO, wherein Kaser identified certain patents
9 and non-patent literature documents to the USPTO during prosecution of the '107
10 application. The Freedom LP3 was not identified to the USPTO in the March 19,
11 2014 IDS.

12
13 51. Although aware that the Freedom LP3 was material prior art to the '107
14 application, during prosecution of the '107 application, attorney Kaser never
15 disclosed to the USPTO the Freedom LP3, the Final Judgment by Consent, the
16 Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009
17 Virtual Store Video, or that the Freedom LP3 was publicly available as of May 8,
18 2009.
19
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21 52. Although aware that the Freedom LP3 was material prior art to the '107
22 application, during prosecution of the '107 application, inventor Allison never
23 disclosed to the USPTO the Freedom LP3, MTI's 2009 Virtual Store Video, the
24 Confidential Settlement Agreement, his own Declaration of October 20, 2010
25 submitted in the Second Vanguard Litigation, and/or that the Freedom LP3 was
26 publicly available as of May 8, 2009.
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1 53. As the patent attorney who filed and prosecuted the ‘107 application,
2 which claims priority to the ‘944 application and issued as the 618 patent, attorney
3 Kaser had a duty of candor and good faith in dealing with the USPTO, which
4 included a duty to disclose to the USPTO all information known to Kaser to be
5 material to patentability of the application. This duty required Kaser to disclose to
6 the USPTO the Freedom LP3, the Final Judgment by Consent, the Confidential
7 Settlement Agreement, the Declaration of Thaine Allison, MTI’s 2009 Virtual Store
8 Video, and that the Freedom LP3 was publicly available as of May 8, 2009.

11 54. On information and belief, attorney Kaser, either alone or in
12 conjunction with others, deliberately decided not to disclose to the USPTO the
13 Freedom LP3, the Final Judgment by Consent, the Confidential Settlement
14 Agreement, the Declaration of Thaine Allison, MTI’s 2009 Virtual Store Video,
15 and/or that the Freedom LP3 was publicly available as of May 8, 2009.

18 55. As an inventor identified with the ‘107 application, which claims
19 priority to the ‘944 application and issued as the ‘618 patent, Allison had a duty of
20 candor and good faith in dealing with the USPTO, which included a duty to disclose
21 to the USPTO all information known to Allison to be material to patentability of the
22 application. This duty required Allison to disclose to the USPTO the Freedom LP3,
23 MTI’s 2009 Virtual Store Video, the Confidential Settlement Agreement, his own
24 Declaration of October 20, 2010 submitted in the Second Vanguard Litigation, and
25 that the Freedom LP3 was publicly available as of May 8, 2009.

1 56. On information and belief, Allison, either alone or in conjunction with
2 others, deliberately decided not to disclose to the USPTO the Freedom LP3, MTI's
3 2009 Virtual Store Video, the Confidential Settlement Agreement, his own
4 Declaration of October 20, 2010 submitted in the Second Vanguard Litigation, or
5 that the Freedom LP3 was publicly available as of May 8, 2009.
6
7
8

9 **The '606 Application**

10 57. On October 29, 2013, Kaser, in his capacity as attorney for Plaintiff,
11 caused U.S. Patent Application No. 14/066,606 ('606 application) to be filed with
12 the USPTO. The '606 application claims priority to the '944 application.
13
14

15 58. The Freedom LP3 was publicly available as of May 8, 2009 and had
16 one or more features described and claimed in the '606 application.
17

18 59. Attorney Kaser was aware, and maintained in a U.S. District Court, that
19 the Freedom LP3 was publicly available as of May 8, 2009 and was aware the
20 Freedom LP3 had one or more features described and claimed in the '606
21 application.
22

23 60. Although aware that the Freedom LP3 was material prior art to the '606
24 application, during prosecution of the '606 application, attorney Kaser never
25 disclosed to the USPTO the Freedom LP3, the Final Judgment by Consent, the
26 Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009
27 Virtual Store Video, or that the Freedom LP3 was publicly available as of May 8,
28

1 2009.

2 61. As the patent attorney who filed and prosecuted the '606 application to
3 which the '140 patent claims priority, Kaser had a duty of candor and good faith in
4 dealing with the USPTO, which included a duty to disclose to the USPTO all
5 information known to Kaser to be material to patentability of the application. This
6 duty required Kaser to disclose to the USPTO the Freedom LP3, the Final Judgment
7 by Consent, the Confidential Settlement Agreement, the Declaration of Thaine
8 Allison, MTI's 2009 Virtual Store Video, and that the Freedom LP3 was publicly
9 available as of May 8, 2009.

10 62. On information and belief, Kaser, either alone or in conjunction with
11 others, deliberately decided not to disclose to the USPTO the Freedom LP3, the
12 Final Judgment by Consent, the Confidential Settlement Agreement, the Declaration
13 of Thaine Allison, MTI's 2009 Virtual Store Video, and/or that the Freedom LP3
14 was publicly available as of May 8, 2009.

21 **The '845 Application**

22 63. On November 27, 2013, Kaser, in his capacity as attorney for Plaintiff,
23 caused U.S. Patent Application No. 14/092,845 ('845 application) to be filed with
24 the USPTO. The '845 application claimed priority to the '606 application, which
25 claims priority to the '944 application.

26 64. The Freedom LP3 was publicly available as of May 8, 2009 and had
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28

one or more features described and claimed in the '845 application.

65. Attorney Kaser was aware, and maintained in a United States District Court, that the Freedom LP3 was publicly available as of May 8, 2009 and was aware the Freedom LP3 had one or more features described and claimed in the '845 application.

66. In filing the '845 application, Attorney Kaser filed electronic documents having the following filenames:

aia0014LP3.pdf

DrawingsMTILP3.pdf

See Exhibit G.

67. During prosecution of the '845 application, Attorney Kaser filed a Request for Continued Examination (RCE) on November 27, 2013 and, in connection therewith, filed electronic documents having the following filenames:

LP3RCE

AppDataSheetLP3845

See Exhibit H.

68. Although aware that the Freedom LP3 was material prior art to the '845 application, during prosecution of the '845 application, Attorney Kaser never disclosed to the USPTO the Freedom LP3, the Final Judgment by Consent, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, or that the Freedom LP3 was publicly available as of May 8, 2009.

69. As the patent attorney who filed and prosecuted the '845 application to which the '140 patent claims priority, Attorney Kaser had a duty of candor and good faith in dealing with the USPTO, which included a duty to disclose to the USPTO all information known to Kaser to be material to patentability of the application. This duty required Kaser to disclose to the USPTO the Freedom LP3, the Final Judgment by Consent, the Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, and that the Freedom LP3 was publicly available as of May 8, 2009.

70. On information and belief, Attorney Kaser, either alone or in conjunction with others, deliberately decided not to disclose to the USPTO the Freedom LP3, the Final Judgment by Consent, the Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, and/or that the Freedom LP3 was publicly available as of May 8, 2009.

The '497 Application

71. On July 27, 2016, Kaser, in his capacity as attorney for Plaintiff, caused U.S. Patent Application No. 15/221,497 ('497 application) to be filed with the USPTO. The '497 application claims priority to the '845 application, which claims priority to the '606 application, which claims priority to the '944 application. The '497 application eventually issued as the '140 patent asserted by Plaintiff in the present action.

1 72. The Freedom LP3 was publicly available as of May 8, 2009 and had
2 one or more features described and claimed in the '497 application and the '140
3 patent.
4

5 73. Attorney Kaser was aware, and maintained in a U.S. District Court, that
6 the Freedom LP3 was publicly available as of May 8, 2009 and was aware the
7 Freedom LP3 had one or more features described and claimed in the '497
8 application that issued as the '140 patent.
9

10 74. Allison, a named inventor for the '140 patent, was aware and had
11 adopted as true that the Freedom LP3 was publicly available as of May 8, 2009 and
12 was aware the Freedom LP3 had one or more features described and claimed in the
13 '497 application that issued as the '140 patent.
14

15 75. During prosecution of the '497 application, attorney Kaser filed
16 electronic documents having the following filenames:
17

18 MissingPartsResponseLP3.pdf

19 SpecificationLP3substitute.pdf

20 ClaimsLP3substitute.pdf

21 AbstractLP3substitute.pdf

22 ReplacementDrawingsLP3.pdf
23

24 See Exhibit I.
25

26 76. Although aware that the Freedom LP3 was material prior art to the '497
27 application, during prosecution of the '497 application, attorney Kaser never
28

1 disclosed to the USPTO the Freedom LP3, the Final Judgment by Consent, the
2 Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009
3 Virtual Store Video, or that the Freedom LP3 was publicly available as of May 8,
4 2009.
5

6 77. Although aware that the Freedom LP3 was material prior art to the '497
7 application, during prosecution of the '944 application, Allison never disclosed to
8 the USPTO the Freedom LP3, MTI's 2009 Virtual Store Video, the Confidential
9 Settlement Agreement, his own Declaration of October 20, 2010 submitted in the
10 Second Vanguard Litigation, or that the Freedom LP3 was publicly available as of
11 May 8, 2009.
12

13 78. Attorney Kaser did not file an Information Disclosure Statement with
14 the USPTO during prosecution of the '497 application.
15

16 79. On December 2, 2016, the USPTO issued an Office Action indicating,
17 among other things, that pending claims 1-27 of the '497 application would be
18 allowable. *See* Exhibit J, p. 4. The Examiner provided the following statement of
19 reasons for allowance:
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Regarding claim 1, patentability resides in "a security sensor arrangement carried by the mounting member, the security sensor arrangement operating from power supplied via the same single-source power signal at least when the mounting member is in the resting position, and further, the security sensor arrangement being operated by the battery storage means when the mounting member is lifted from the resting position", in combination with the other limitations of the claim.

Regarding claims 7, 14, and 21, patentability resides in "wherein the wire-to-wire connection between the source module and the mounting member is broken when the mounting member is lifted from the resting position, and further, the wire-to-wire connection is not made by the mechanical cable", in combination with the other limitations of the claim.

The closest prior art, Deconinck et al. (US 7,209,038) and Rapp et al. (US 7,724,135). Deconinck et al. disclose security system for power and display of consumer electronic devices, and Rapp et al. disclose coiled cable display device. The references, either singularly or in combination, fail to anticipate or render the above limitations obvious.

See Exhibit J, p. 4.

80. The Freedom LP3 was publicly available as of May 8, 2009 and disclosed one or more of the features in which the Examiner concluded patentability resided.

81. In the December 2, 2016 Office Action, the Examiner also rejected claims 1-27 based on obviousness-type double patenting over claims 1-7 of U.S. Patent No. 8,698,617. *See Exhibit J, p. 3.*

82. The December 2, 2016 Office Action was mailed to attorney Kaser at Vantage Law PLLC.

83. Upon information and belief, attorney Kaser was aware of the December 2, 2016 Office Action, including its contents.

1 84. On March 2, 2017, Benjamin L. Volk, in his capacity as attorney for
2 Plaintiff, filed a Response to the December 2, 2016 Office Action on behalf of
3 Plaintiff. Volk is an attorney with the law firm of Thomson Coburn LLP, the same
4 law firm representing Plaintiff in the present action.
5

6 85. As of at least March 2, 2017, attorney Volk was aware of the
7 Examiner's statement of reasons for allowance set forth in the Office Action of
8 December 2, 2016.
9

10 86. In the Response of March 2, 2017, attorney Volk expressly
11 acknowledged that the December 2, 2016 "Office action identified claims 1-27 as
12 reciting allowable subject matter." On behalf of Plaintiff, Volk also submitted to the
13 USPTO for examination new claims including claims 28 through 41. Claim 28
14 eventually issued as claim 26 of the '140 patent.
15
16

17 87. On May 26, 2017, the USPTO mailed a Notice of Allowance and
18 Fee(s) due with Notice of Allowability for in the '497 application and included a
19 Detailed Action indicating claims 1-41 were allowable. *See* Exhibit K.
20

21 88. With regard to claim 28 of the '497 application (which became claim
22 26 of the '140 patent), the USPTO Examiner indicated the following:
23

24 Regarding claim 28, patentability resides in "wherein the base assembly contact and the
25 puck assembly contact are adapted to contact each other when the puck assembly is in the rest
26 position to form an electrical connection between the puck assembly circuitry and the base
27 assembly circuitry; and wherein the base assembly contact and the puck assembly contact are
28

1 adapted to lose contact with each other when the puck assembly is in the lift position to thereby
2 break the electrical connection”, in combination with the other limitations of the claim.

3
4 The closest prior art, Deconinck et al. (US 7,209,038) and Rapp et al. (US 7,724,135).
5 Deconinck et al. disclose security system for power and display of consumer electronic
6 devices, and Rapp et al. disclose coiled cable display device. The references, either singularly or
7 in combination, fail to anticipate or render the above limitations obvious.

8 *See Exhibit K, pp. 2-3.*

9 89. The Freedom LP3 was publicly available as of May 8, 2009 and
10 disclosed the features in which the Examiner concluded patentability resided with
11 regard to claim 28 of the ‘497 application.

12
13 90. The Notice of Allowance of May 26, 2017 was mailed to attorney
14 Kaser at Vantage Law PLLC.

15
16 91. Upon information and belief, attorney Kaser was aware of the Notice
17 of Allowance, including the contents of the Detailed Action.

18
19 92. Upon information and belief, attorney Volk obtained a copy of the
20 Notice of Allowance of May 26, 2017 or became aware of the Notice of Allowance,
21 including the contents of the Detailed Action.

22
23 93. On or about July 24, 2017, attorney Volk, in his capacity as attorney for
24 Plaintiff, filed a Request for Continued Examination of the ‘497 application that
25 included an “Amendment and Response with Request for Continued Examination
26 (RCE).” Therein, Volk amended one or more of claims 1-41 and presented new
27 claims 42-98.
28

1 94. Upon information and belief, the “Amendment and Response with
2 Request for Continued Examination (RCE)” presented during prosecution of the
3 ‘497 application was part of a decision by Plaintiff to expand the scope of the ‘497
4 application to seek claims covering one or more products of InVue. Upon
5 information and belief, Plaintiff wanted such claims for use as the basis of a
6 retaliatory suit, i.e. the current action, against InVue. InVue has previously filed
7 five (5) patent infringement lawsuits against Plaintiff (*InVue Security Products, Inc.*
8 *v. Mobile Tech, Inc.*, 3:15-cv-00610, 3:16-cv-00553, 3:16-cv-00734, 3:17-cv-00075
9 and 3:17-cv-00270 (W.D.N.C.)), which have been consolidated and are currently
10 pending in the United District Court for the District of Oregon (*InVue Security*
11 *Products, Inc. v. Mobile Tech, Inc.*, 3:17-cv-01356-SI (D. Or.)).

12 95. Attorney Volk knew the Freedom LP3 was material prior art to the
13 ‘497 application.

14 96. On July 28, 2017, attorney Volk, in his capacity as attorney for
15 Plaintiff, submitted an Information Disclosure Statement (IDS of July 28, 2017) to
16 the USPTO. *See* Exhibit L.

17 97. The earliest claimed priority date of the ‘140 patent is June 21, 2010,
18 the date on which the ‘944 application was filed.

19 98. In the IDS of July 28, 2017, attorney Volk cited at least three links to
20 YouTube videos regarding the Freedom LP3 that were entitled “Installing LP3 Old
21 Version;” “Virtual Tour of MTI Retail Innovation Center in 2009;” and “MTI LP3
22 Version;”

1 Product Mounting.” *See* Exhibit L, Non-Patent Literature Documents, Cites Nos. 5,
2 6, and 8). However, for each such cite, Volk also indicated to the Examiner that
3 such were not published until after the earliest claimed priority date of June 21,
4 2010 for the ‘140 patent.

6 99. Attorney Volk also cited a SlideShare Presentation entitled “Freedom
7 Lp3 4.17.09.” *See* Exhibit L, Non-Patent Literature Documents, Cite No. 9). Volk
8 indicated to the Examiner that such was not published until July 28, 2009.

10 100. In particular, the IDS submitted by Attorney Volk represented that the
11 video entitled “Virtual Tour of MTI Retail Innovation Center in 2009” was not
12 published until August 2, 2010. This representation was false because, as admitted
13 by Plaintiff, as judicially decreed in the First Vanguard Litigation, the Second
14 Vanguard Litigation, and as agreed to by in the Confidential Settlement Agreement
15 signed by CEO Michael J. Cook, such video was available by at least May 8, 2009,
16 which is more than one year before the earliest claimed priority date of the ‘140
17 patent (which is June 21, 2010, the date on which the ‘944 application was filed).

21 101. Attorney Volk knew that in the Vanguard Litigation, Plaintiff made
22 statements and submissions that were material to the patentability of the ‘944
23 application.

25 102. For example, in the IDS of July 28, 2017, attorney Volk cited the
26 “Declaration of Mike Cook.” *See* Exhibit L (Non-Patent Literature Documents, Cite
27 No. 10). This was a declaration Plaintiff submitted to the District Court for Oregon
28

1 in the Second Vanguard Litigation on October 20, 2010. *See* Case 3:10-cv-00392-
2 BR (D. Or.), ECF No. 33). This Declaration of Mike Cook does not reference the
3 Freedom LP3.
4

5 103. In the IDS of July 28, 2017, attorney Volk also cited Exhibit 1005 to
6 the Declaration of Mike Cook. *See* Exhibit L, (Non-Patent Literature Documents,
7 Cite No. 11). Exhibit 1005 does not disclose that the Freedom LP3 was available
8 before the earliest claimed priority date of the '140 patent (which is June 21, 2010,
9 the date on which the '944 application was filed).
10

11 104. In the IDS of July 28, 2017, attorney Volk also cited multiple
12 declarations of Thaine Allison. *See* Exhibit L, Non-Patent Literature Documents,
13 Cites Nos. 12, 13.
14

15 105. However, despite knowing about the Vanguard Litigation, despite
16 citing to the Vanguard Litigation and to declarations of Thaine Allison, attorney
17 Volk did not disclose any of the following from the Vanguard litigation to the
18 USPTO:
19
20

21 (a) the Final Judgment by Consent and Permanent Injunction (Case
22 3:07-cv-01405-BR (D. Or.), ECF No. 346) entered in the First Vanguard
23 Litigation indicating, *inter alia*, the Freedom LP3 was available as of May 8,
24 2009 (Exhibit A);
25

26 (b) the Confidential Settlement Agreement signed by Michael J. Cook
27 as part of the settlement of the First Vanguard Litigation agreeing that the
28

Freedom LP3 was available as of May 8, 2009 (Exhibit B); and

(c) the Declaration of Thaine Allison of October 20, 2010 indicating that the Freedom LP3 was available as of at least May 11, 2009.

106. Although aware that the Freedom LP3 was material prior art to the '944 application, during prosecution of the '497 application, attorney Kaser never disclosed to the USPTO the Freedom LP3, the Final Judgment by Consent, the Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, or that the Freedom LP3 was publicly available as of May 8, 2009.

107. As the patent attorney who filed and prosecuted the '497 application which issued as the '140 patent, attorney Kaser had a duty of candor and good faith in dealing with the USPTO, which included a duty to disclose to the USPTO all information known to Kaser to be material to patentability of the application. This duty required Kaser to disclose to the USPTO the Freedom LP3, the Final Judgment by Consent, Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, and that the Freedom LP3 was publicly available as of May 8, 2009.

108. On information and belief, attorney Kaser, either alone or in conjunction with others, deliberately decided not to disclose to the USPTO the Freedom LP3, the Final Judgment by Consent, Confidential Settlement Agreement, the Declaration of Thaine Allison, MTI's 2009 Virtual Store Video, and/or that the

1 Freedom LP3 was publicly available as of May 8, 2009.

2 109. Although aware that the Freedom LP3 was material prior art to the '944
3 application, during prosecution of the '497 application, attorney Volk never
4 disclosed to the USPTO the Final Judgment by Consent and Permanent Injunction
5 (Case 3:07-cv-01405-BR, ECF No. 346 (D. Or.)) entered in the First Vanguard
6 Litigation; the Confidential Settlement Agreement signed by Michael J. Cook as
7 part of the settlement of the First Vanguard Litigation agreeing that the Freedom
8 LP3 was available as of May 8, 2009; the Declaration of Thaine Allison of October
9 20, 2010 indicating that the Freedom LP3 was available as of at least May 11, 2009;
10 and/or that the Freedom LP3 was publicly available as of May 8, 2009.

11 110. As the patent attorney who filed and prosecuted the '497 application to
12 which issued as the '140 patent, attorney Volk had a duty of candor and good faith
13 in dealing with the USPTO, which included a duty to disclose to the USPTO all
14 information known to Volk to be material to patentability of the application. This
15 duty required Volk to disclose to the USPTO at least the Final Judgment by Consent
16 and Permanent Injunction (Case 3:07-cv-01405-BR, ECF No. 346 (D. Or.)) entered
17 in the First Vanguard Litigation; the Confidential Settlement Agreement signed by
18 Michael J. Cook as part of the settlement of the First Vanguard Litigation agreeing
19 that the Freedom LP3 was available as of May 11, 2009; the Declaration of Thaine
20 Allison of October 20, 2010 indicating that the Freedom LP3 was available as of at
21 least May 8, 2009; and that the Freedom LP3 was publicly available as of May 8,
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23
24
25
26
27
28

1 2009.

2 111. On information and belief, attorney Volk, either alone or in conjunction
3 with others, deliberately decided not to disclose to the USPTO the Freedom LP3, the
4 Final Judgment by Consent, Confidential Settlement Agreement, the Declaration of
5 Thaine Allison of October 20, 2010, the availability as of May 8, 2009 of MTI's
6 2009 Virtual Store Video, and/or that the Freedom LP3 was publicly available as of
7 May 8, 2009.
8

9 112. Following the breach of their duty of candor and good faith in dealing
10 with the USPTO by MTI, Allison, attorney Kaser and attorney Volk, as described
11 herein above, the USPTO issued the '140 patent on October 10, 2017.
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16 **FIRST CLAIM FOR RELIEF**
17 **(Declaratory Judgment of Unenforceability of the '140, '617, and '618 Patents)**

18 113. InVue realleges and incorporates by reference Paragraphs 1 through
19 112 of these Counterclaims as though fully set forth herein.

20 114. MTI has alleged in its Complaint that InVue has infringed the '140
21 patent. InVue denies that it has infringed or is infringing any valid claim of the '140
22 patent and asserts that the '140, '617, and '618 patents are unenforceable.
23 Therefore, a present, genuine and justiciable controversy exists between Plaintiff
24 and InVue regarding the unenforceability of the '140, '617, and '618 patents.
25

26 115. The '140 patent is unenforceable for the reasons set forth in paragraphs
27
28

1 1 through 112 of these counterclaims and those reasons set forth herein below under
2 the doctrine of inequitable conduct.

3
4 116. As set forth in detail in Paragraphs 1 through 112 of these
5 Counterclaims, Kaser, Allison and Volk were aware of information that was
6 material to the subject matter claimed in the '140, '617, and '618 patents, the
7 applications for these patents, and the applications to which the '140 patent and '618
8 patents claim priority. Notwithstanding the fact that Kaser, Allison, and Volk were
9 each aware of information material to the patentability, Kaser, Allison and Volk
10 failed to disclose this material information to the USPTO.
11

12
13 117. The information material to the patentability of the subject matter
14 claimed in the '140 patent (including the Freedom LP3, the Final Judgment by
15 Consent, the Confidential Settlement Agreement, the Declaration of Thaine Allison
16 of October 20, 2010, MTI's 2009 Virtual Store Video, the availability of MTI's
17 2009 Virtual Store Video and/or that the Freedom LP3 was publicly available as of
18 May 8, 2009) conclusively demonstrates that the subject matter claimed in the '140
19 patent was publically available, publically disclosed or offered for sale by MTI more
20 than one year before the earliest date to which the '140 patent claims priority. This
21 withheld information is therefore material to the patentability of the subject matter
22 claimed in the '140 patent and the subject matter of the applications to which the
23 '140 patent claims priority under 35 U.S.C. §§ 102 and/or 103.
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118. During the prosecution of the application that resulted in the issuance of the '140 patent and the applications to which the '140 patent claims priority, Plaintiff, its employee/inventor Allison, and its attorneys, Kaser and Volk, made misrepresentations and omissions material to the patentability of the subject matter claimed in the '140 patent with the intention of misleading or deceiving the USPTO and the USPTO Examiner and did mislead and/or deceive the USPTO and the USPTO patent examiner.

119. Based on at least 35 U.S.C. §§ 102 and/or 103, the USPTO would not have issued the '140 patent but for the failure of MTI, Allison, Kaser and/or Volk to disclose all information known to them to be material to the patentability of the subject matter claimed in the '140 patent. Had the USPTO been aware of the material information that MTI, Allison, Kaser and Volk failed to disclose, the USPTO would not have issued the '140 patent.

120. MTI, Allison, Kaser and Volk, each breached their duty to disclose to the USPTO all information known to be material to the patentability of the subject matter claimed in the '140 patent.

121. The single most reasonable inference that can be drawn from the facts and circumstances surrounding the prosecution of the application for the '140 patent, the prosecution of the applications to which the '140 patent claims priority and the failure of MTI, Allison, Volk and Kaser to disclose information material to the patentability of the subject matter claimed in the '140 patent is that MTI, is that

1 Allison, Volk and Kaser failed to disclose and deliberately decided not to disclose
2 the material information with the intention of misleading and/or deceiving the
3 USPTO and the USPTO patent examiner and did mislead and/or deceive the
4 USPTO and the USPTO patent examiner.

6 122. For at least these reasons the '140 patent is unenforceable due to the
7 failure of each individual associated with the filing and prosecution of the patent to
8 disclose to the USPTO all information known to be material to patentability of the
9 subject matter claimed in the '140 patent.

11 123. The '944 application that issued as the '617 patent is antecedent to the
12 '497 application that issued as the '140 patent.

14 124. The '107 application that issued as the '618 patent is antecedent to the
15 '497 application that issued as the '140 patent.

17 125. The '617 patent and '618 patent bear an immediate and necessary
18 relation to Plaintiff's inequitable conduct as set forth herein. The '140 patent, the
19 '617 patent, and the '618 patent are all related to each other as set forth above and
20 each of these patents claim, for example, a cable management system apparatus for
21 use in mounting an electronic device to a display.

23 126. The '140, '617, and '618 patents are each unenforceable for the reason
24 set forth herein under one or more of the doctrines of inequitable conduct, infectious
25 unenforceability, and/or reverse infectious unenforceability.

27 127. For these reasons, InVue is entitled to a judicial declaration that the
28

1 '140, '617, and '618 patents are unenforceable under the doctrine of inequitable
2 conduct and a finding that this action is an exceptional matter entitling InVue to an
3 award of attorneys' fees pursuant to 35 U.S.C. § 285.
4

5 **SECOND CLAIM FOR RELIEF**
6 **(Declaratory Judgment of Patent Non-Infringement)**

7 128. InVue realleges and incorporates by reference Paragraph 1 of its
8 Additional Defenses and Paragraphs 1 through 5 of its Counterclaim as though fully
9 set forth herein.
10

11 129. MTI has alleged in its Complaint a claim that InVue has infringed the
12 '140 patent. InVue denies that it has infringed or is infringing any valid claim of the
13 '140 patent. Thus, an actual, immediate, real, and justiciable controversy now exists
14 between InVue and MTI with respect to the '140 patent.
15

16 130. InVue has not infringed and does not infringe, either directly or
17 indirectly, any valid claim of the '140 patent.
18

19 131. InVue seeks a declaration from this Court that InVue has not directly or
20 indirectly infringed, and does not directly or indirectly infringe, any valid claim of
21 the '140 Patent.
22

23 **THIRD CLAIM FOR RELIEF**
24 **(Declaratory Judgment of Patent Invalidity)**

25 132. InVue realleges and incorporates by reference Paragraph 2 of its
26 Additional Defenses and Paragraphs 1 through 5 of its Counterclaim as though fully
27 set forth herein.
28

1 133. MTI has alleged in its Complaint a claim that InVue has infringed the
2 '140 patent. InVue denies that it has infringed or is infringing any valid claim of the
3 '140 patent. Thus, an actual, immediate, real, and justiciable controversy now exists
4 between InVue and MTI with respect to the '140 patent.
5

6 134. The '140 patent is invalid for failure to satisfy one or more of the
7 requirements of patentability under the patent laws, including without limitation 35
8 U.S.C. §§ 102, 103, and/or 112.
9

10 135. InVue seeks a declaration from this Court that the '140 patent is invalid.
11

12 **FOURTH CLAIM FOR RELIEF**
13 **(Declaratory Judgment of Federal Unfair Competition)**

14 136. InVue realleges and incorporates by reference Paragraphs 1 through 5
15 of its Counterclaim as though fully set forth herein.
16

17 137. Plaintiff has asserted a claim of federal unfair competition against
18 InVue at the Fourth Claim for Relief of the Complaint. Plaintiff claims that InVue's
19 marketing video entitle "InVue Security – Cost of Ownership" is literally false or at
20 least misleading. InVue denies that its video is false or misleading as asserted by
21 Plaintiff. Thus, an actual, immediate, real, and justiciable controversy now exists
22 between InVue and MTI with respect to claims of federal unfair competition.
23

24 138. InVue seeks a declaration from this Court that InVue's video is not
25 false, nor is it misleading, and is not constitute the asserted unfair competition.
26
27
28

FIFTH CLAIM FOR RELIEF
(Declaratory Judgment of California Business and Professions Code §§ 17200
***et seq.* and 17500)**

139. InVue realleges and incorporates by reference Paragraphs 1 through 5 of its Counterclaim as though fully set forth herein.

140. Plaintiff has asserted a claim for unfair trade practices and unfair competition under California Business and Professions Code § 17200 *et seq.*, and False Advertising under California Business and Professions Code § 17500 against InVue in the Fifth Claim for Relief of the Complaint. InVue denies that it has engaged in unfair trade practices and unfair competition. Thus, an actual, immediate, real, and justiciable controversy now exists between InVue and MTI with respect to the alleged unfair trade practices and unfair competition.

141. InVue seeks a declaration from this Court that InVue has not engaged in unfair trade practices and unfair competition.

REQUEST FOR RELIEF

Wherefore, having fully answered all of Plaintiff's allegations and asserted appropriate additional defenses, InVue respectfully requests the entry of judgment against Plaintiff, providing the following relief:

- (A) adjudging that Plaintiff take nothing by reasons of its Complaint;
- (B) dismissing the Complaint with prejudice and denying each request for relief made by Plaintiff;

- 1 (C) entering judgement that InVue does not infringe the ‘140 patent
2 under 35 U.S.C. § 271;
3
4 (D) entering judgement that ‘140 patent is invalid;
5
6 (E) declaring that the ‘140, ‘617, and ‘618 patents are unenforceable
7 due to inequitable conduct;
8
9 (F) finding that this case is exceptional, that InVue is the prevailing
10 party, and awarding InVue reasonable attorney fees;
11
12 (G) adjudging that InVue be awarded it attorneys’ fees and costs;
13
14 (H) awarding such other and further relief as this Court deems just and
15 proper.
16

17
18 **JURY DEMAND**

19 InVue demands a trial by jury on all issues triable to a jury.
20

21 Respectfully submitted,
22

23 DATED: December 13, 2017
24

25 By: /s/ Tim F. Williams

26 Tim F. Williams
27 Jason A. Pittman
28 DORITY & MANNING, P.A.

Steven D. Smelser
Nicholas J. Hoffman
YUKEVICH | CAVANAUGH

*Attorneys for Defendant INVUE
SECURITY PRODUCTS, INC.*

ATTESTATION REGARDING SIGNATURES

The undersigned attests that the signatory listed above, and on whose behalf this filing is submitted, concurs in this filing's content and has authorized its filing.

DATED: December 13, 2017

By: /s/ Nicholas J. Hoffman
Nicholas J. Hoffman